



ASX ANNOUNCEMENT

6 FEBRUARY 2012

## RENOUNCEABLE RIGHTS ISSUE TO ADVANCE THE KUUSAMO GOLD PROJECT, FINLAND

Dragon Mining Limited (the **Company**) is pleased to announce that it will be making a renounceable pro rata rights issue (**Rights Issue**) to Shareholders whose registered addresses are in Australia or New Zealand (**Eligible Shareholders**) and who are registered as at 4.00 pm (AWST) on 15 February 2012 (**Record Date**) to raise approximately \$15 million (before costs).

The primary use of the funds raised will be to advance exploration and metallurgical testwork at the Kuusamo Gold Project in northern Finland towards feasibility and development at a more rapid rate and to undertake exploration on Kuusamo regional prospects.

The Board of the Company is delighted that the rights issue is being fully sub-underwritten by the Company's two largest shareholders, Eurogold Limited (**Eurogold**) and Nicolas Mathys (**Mathys**), demonstrating their support for the Company.

The Board can also confirm that it is the intention of the Directors of the Company to take up their entitlements in full.

Pursuant to the Rights Issue, the Company may issue a maximum of approximately 13,670,000 fully paid ordinary shares in the capital of the Company (**New Shares**) at an issue price of \$1.10 each, to raise approximately \$15 million (before costs). The New Shares will be offered (**Offer**) on the basis of 1 New Share for every 5.5 fully paid ordinary shares held in the capital of the Company (**Shares**). The right to subscribe for New Shares under the Offer will be renounceable.

The number of issued Shares at the date of this announcement and the total number of issued Shares at the close of the Offer are as follows:

- Number of Shares currently on issue at the date of this announcement: 75,170,613
- Maximum number of New Shares that may be issued pursuant to the Offer: 13,670,000 \*
- Maximum number of Shares on issue upon completion of the Offer: 88,840,613 \*

\* These figures assume that no options are exercised before the Record Date, but allow for upward rounding of fractional entitlements.

The Rights Issue is being fully underwritten by Patersons Securities Limited (**Patersons** or the **Underwriter**), and fully sub-underwritten by the Company's two largest shareholders, Eurogold and Mathys. Pursuant to the sub-underwriting agreements, Eurogold and Mathys will subscribe for any entitlements not taken up under the Offer.

Each Shareholder with a registered address in Australia or New Zealand who is registered as the holder of Shares at 4.00 pm (AWST) on the Record Date is eligible to participate in the Offer. The Company has appointed Patersons as an ASIC approved nominee to sell all of the rights to which Shareholders with a registered address outside Australia and New Zealand (**Excluded Shareholders**) at the Record Date are entitled. The net proceeds of the sale of those rights (if any) will be paid as soon as practicable to the Excluded Shareholders for whose benefit the Rights have been sold in proportion to their shareholding.

**Proposed timetable**

It is proposed that the Rights Issue be conducted according to the following indicative table:

Rights Issue / Offer announced via ASX	6 February 2012
Offer Document lodged with ASX	6 February 2012
Notice sent to Shareholders	7 February 2012
Shares quoted on an "ex" basis	9 February 2012
Rights trading commences	9 February 2012
Record Date to identify Shareholders entitled to participate in issue	15 February 2012
Offer Document and Entitlement and Acceptance Forms despatched to Eligible Shareholders	21 February 2012
Rights trading ends	28 February 2012
Closing Date for acceptance and payment	6 March 2012
Issue of New Shares and despatch of holding statements	14 March 2012

This timetable is indicative only and subject to change. Subject to the Corporations Act 2011 (Cth) (the **Act**) and the ASX Listing Rules, the Directors of the Company, in conjunction with the Underwriter, reserve the right to vary these dates, including the closing date of the Offer, without prior notice.

Full details of the terms and conditions of the Rights Issue will be contained in the offer document to be lodged with ASX and to be despatched to Eligible Shareholders in accordance with the timetable set out above (**Offer Document**).

**Notice under section 708AA of the Corporations Act 2001 (Cth)**

The Company provides the following information:

- (a) The Company will offer the New Shares for issue without disclosure to investors under Part 6D.2 of the Act.
- (b) The Company is providing this notice under s708AA(2)(f) of the Act.
- (c) As at the date of this notice, the Company has complied with:
  - (i) the provisions of Chapter 2M of the Act as they apply to the Company; and
  - (ii) section 674 of the Act.
- (d) As at the date of this notice, there is no information:
  - (i) that has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
  - (ii) that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
    - A. the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; or
    - B. the rights and liabilities attaching to the New Shares; and

- (e) Pursuant to the sub-underwriting agreements between the Underwriter and each of Eurogold and Mathys, Eurogold (with existing voting power of 19.99%) and Mathys (with existing voting power of 15.50%) are severally sub-underwriting the entire Rights Issue in the proportions 66.67% to Eurogold and 33.33% to Mathys.

Based on the shareholding interests of Eurogold and Mathys as the date of the Offer Document and their respective sub-underwriting commitments, and assuming that neither Eurogold nor Mathys acquire any Rights on ASX, upon completion of the Offer, Eurogold's voting power will be between 19.99% and 27.17% and Mathys' voting power will be between 15.50% and 18.25%.

The Company is aware that Allied Properties Resources Limited has an approximate 36.37% interest in Eurogold, conferring on Allied Properties Resource Limited an indirect interest in the Company.

The final shareholding interest of the sub-underwriters upon completion of the Offer will depend upon the degree to which Eligible Shareholders take up their entitlements to subscribe for New Shares under the Offer. To the extent that a Shareholder does not take up their entitlement, the proportionate shareholding interest of that Shareholder in the Company will be diluted.

The Company is of the view that the Offer will not affect the control of the Company, notwithstanding the potential increase in shareholding interests of the sub-underwriters. It is noted that Eurogold could acquire a percentage interest in the Company (ie. more than 25%) that would give Eurogold the ability to block a special resolution of Shareholders. However, control of the Company (in the sense contemplated by section 50AA of the Act) will not be affected.

The Company has established a Shareholder information line which Shareholders may call if they have any queries in relation to the Rights Issue. The Shareholder information line has been established through Computershare Investor Services Pty Limited and the telephone number is 1800 258 031 (within Australia) or +61 3 9415 4816 (outside Australia).

Yours faithfully

For and on behalf of  
**Dragon Mining Limited**

**Peter G Cordin**  
Executive Chairman